

WATER/ICRJ/FLC/KKL/RHG

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
AUDIT AND COMPLIANCE BRANCHRESOLUTION W-4297
October 10, 2001**R E S O L U T I O N**

Resolution W-4297. WATERTEK, INCORPORATED, GRAND VIEW GARDENS DISTRICT (WATERTEK GRAND VIEW). ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE SUBJECT TO REFUND, PRODUCING ADDITIONAL REVENUE OF \$8,750 (32.64%).

By Draft Advice Letter Filed on June 27, 2001.

SUMMARY

This Resolution grants Watertek Grand View, a Class D water utility, an interim increase in gross annual revenue of \$8,750 subject to refund. The increase will provide Watertek Grand View with no rate of return on its rate base, but with sufficient monies to pay its current cash operating expenses.

By Draft Advice Letter filed June 27, 2001, Watertek Grand View requests authority under Section VI of General Order (G.O.) No. 96-A and Section 454 of the Public Utilities (P.U.) Code to increase rates by \$19,082 or 71.17%.

No protests have been received.

BACKGROUND

Watertek, Incorporated owns three wastewater systems that provide sewer service in the Monterey County communities of Oakhills, Indian Springs, and Spreckels. Watertek, Incorporated also owns and operates the Metropolitan Water Company in Fresno, and the Grand View Gardens water system.

Decision (D.) 01-08-004 dated August 2, 2001 authorized the transfer of certain assets of Grand View Gardens Water Company to Watertek, Incorporated and authorized Watertek, Incorporated to provide water service to approximately 97 flat rate customers, 2 flat rate commercial customers and 5 flat rate fire protection service in an area known

as Tract 313 located one half mile northwest of Porterville, Tulare County. As a result of this decision, the previous owner withdrew from the water utility business.

Pursuant to its 2000 Annual Report, Watertek Grand View reported that it generated total operating revenues of \$26,810 and net loss of \$9,097.

In view of the negative cash flow problem, the owner of Watertek Grand View has absorbed costs that normally would be included in rates. In fact, the filing indicates that system repairs and manpower support are now needed to continue operations and service.

The present rates of Grand View became effective on July 22, 1997 pursuant to Decision (D.) 92-03-093¹.

NOTICE AND PROTESTS

Watertek Grand View notified its customers of the interim rate increase by letter dated August 17, 2001. No protests have been received.

The Water Division will schedule an informal public meeting and at that time the interim rate increase and the permanent rate increase will be discussed.

DISCUSSION

Decision (D.) 92-03-093 dated March 31, 1992 in Order Instituting Investigation (Risk OII) I.90-11-033 the Commission adopted a number of new policies in order to respond to the growing economic crisis that threatened investor-owned small water utilities in California to deliver clean, safe drinking water to their customers. This decision also determined that traditional ratemaking policies that are satisfactory for large water utilities are only sporadically successful in coping with the problems of Class D (up to 500 customers) and Class C (over 500 to 2000 customers) water companies.

Among others, the Commission offered in D.92-03-093 a simplified rate filing based on the Consumer Price Index, along with a new method for small companies to recover unanticipated repair costs deemed critical to continued service. In addition, the Commission increased the range of rate of return for small utilities and offered a number of streamlined procedures to simplify and speed regulatory review in order to encourage small utilities to seek Commission review of their operations as part of more substantial adjustments in rates.

¹ This decision authorized Class C and Class D water utilities to file each year by advice letter for an increase over the prior year's adopted revenue, based on the most recent year end increase in the Consumer Price Index. The increased cost is to be passed on to the utility's customers in their quantity, as well as, service charge rates.

The Commission's on-going concern regarding the processing time for small water companies' transactions resulted in the creation of a Service Guarantee Plan for Small Water Companies (Plan) in February of 1996.

The Plan provides an almost immediate simple mechanism to process an interim rate increase (within 45 days of filing). The interim increase, subject to refund, is based on a cash flow analysis. The analysis determines how much the utility needs to operate and to pay bills, including debt service. This Resolution implements this mechanism for Grand View Gardens District.

The Audit and Compliance Branch prepared a cash flow analysis and estimated that the amount of \$8,750 or 32.64% would be necessary for the utility to meet its cash flow requirements.

The proposed interim rates are as follows:

Flat Rate Service:	<u>Present</u>	<u>Proposed</u>
For single family residential unit, Including premises not exceeding 10,000 sq. ft. in area	\$ 20.53	\$ 27.90
For each 100 sq. ft. of premises in excess of 10,000 sq. ft.	\$.13	\$.13

The monthly bill would increase from \$20.53 to \$27.90 or 35.9%.

In order to respond to the utility's negative cash flow problem, the Water Division recommends the proposed interim rates shown above be granted to Watertek Grand View subject to refund, pending the final results of the staff investigation needed to set permanent rates.

The recommended interim rate increase of \$8,750 (subject to refund) may provide Watertek Grand View with a positive cash flow and partly help the utility in operating the water system.

This Resolution is not subject to the expanded 311 Section requirements because this is an uncontested advice letter filing pertaining solely to water companies.

FINDINGS

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation.

THEREFORE, IT IS ORDERED THAT:

1. Watertek, Inc. is authorized to file an advice letter adopting the revised Schedule No. 2R, Residential Flat Rate Service for Grand View Gardens District attached to this Resolution as Appendix A, and concurrently cancel its presently effective rate schedule. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be not earlier than five days after the date of its filing.
2. The rate increase authorized herein is subject to refund pending final resolution of Watertek, Inc. Grand View Gardens District's rate increase request.
3. The Advice Letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4297.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 10, 2001; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

APPENDIX A**Schedule No. 2R****RESIDENTIAL FLAT RATE SERVICE****APPLICABILITY**

Applicable to all flat rate water service.

TERRITORY

The area know as Tract No. 313 and vicinity, located one-half miles northwest of Porterville, Tulare County.

RATES

	Per Service Connection	
	Per Month	
For single family residential unit, Including premises not exceeding 10,000 sq. ft. in area	\$ 27.90	(I)
For each 100 sq. ft. of premises In excess of 10,000 sq. ft.	\$.13	

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by above classification will be furnished only on a meter basis.
(D)
3. The monthly flat rate charge is due in advance, in accordance with the utility's established billing periods.
4. All rates are subject to the reimbursement fee set forth on Schedule No. UF.
5. A late charge will be imposed per Schedule No. LC.
6. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished to the account of the landlord or property owner.

